LONG RANGE PROPERTY MANAGEMENT PLAN
LAND LEASED FROM THE PORT OF SAN FRANCISCO

EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) submits its Long-Range Property Management Plan (“PMP”) for the disposition of its leasehold interests in land owned by the Port of San Francisco (the “Port”) in the Rincon Point-South Beach Redevelopment Project Area (the “Leased Land”). Given that the Leased Land is subject to the public trust, state law and the Successor Agency’s leases with the Port (the “Port Leases”) establish certain standards for the termination of the Port Leases prior to, or upon, completion of the redevelopment program that is described in the Rincon Point-South Beach Redevelopment Plan (the “RP-SB Plan”) and related documents.

Disposition Plan. Terminate the Port Leases (and other ancillary agreements) and transfer the Leased Land back to the Port, subject to any approvals required by the State Lands Commission and the San Francisco Bay Conservation and Development Commission (“BCDC”). At the same time the Port Leases are terminated, all Subleases (defined below) with the Successor Agency will convert to direct leases with the Port. The estimated transfer date is June 2014.

BACKGROUND

During the 1970s, development proposals emerged that called for massive private development along the San Francisco waterfront, which at that time consisted of large swaths of under-utilized waterfront property with an undesirable street pattern. These proposals were met with broad public opposition, and, as a result, the San Francisco Board of Supervisors called for an extensive planning effort to re-envision the waterfront south of the Ferry Building. This effort resulted in the RP-SB Plan, which the San Francisco Board of Supervisors adopted in 1981. The RP-SB Plan called for large public open spaces, waterfront promenades, a small boat harbor, and more modest commercial and residential development in the Rincon Point-South Beach Redevelopment Project Area (the “RP-SB Project Area”).

The RP-SB Project Area included lands owned by the Port. As such, the Port entered into 16 Port Leases with the former San Francisco Redevelopment Agency (“SFRA”), to allow the SFRA to develop the Port’s property over time, and in stages, in accordance with the RP-SB Plan. The Leased Land is waterfront real property, which may be either tidal and submerged lands or areas that were formerly tidal or submerged lands, and thus are subject to the Public Trust Doctrine to protect the public’s interest in commerce, navigation, and fisheries.

The SFRA leased this land from the Port in stages, mostly during the 1980s and 1990s, for the purposes of redeveloping the Port’s waterfront property. Under the Port Leases, most of which run until 2050, the SFRA was allowed to sublease the Leased Land to entities interested in either developing the vacant land or renting the rehabilitated commercial space (the “Subleases”).
Revenues generated from the Subleases were used to pay rent to the Port under the Port Leases, and offset property management costs on the Port’s property.

During the past 30 years, the SFRA implemented the redevelopment program called for in the RP-SB Plan. The redevelopment program included constructing a new small boat harbor and harbor services building (“South Beach Harbor”), building new waterfront parks and open spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial spaces, constructing two new affordable housing projects, and reconfiguring the network of streets and parking lots. The redevelopment program is essentially complete with the exception of repaying bond financing for South Beach Harbor and providing public access improvements on the perimeter of Pier 40. Completion of these improvements are required under permits issued by BCDC for the South Beach Harbor improvements.

The SFRA financed the construction of the waterfront improvements, including the small boat harbor, with $23.9 million in tax increment bond financing and two loans from the California Department of Boating and Waterways (“CalBoating”), one in the amount of $8.0 million and the other in the amount of $7.3 million. Of that $23.9 million in tax increment bond financing, about $4.5 million remains an enforceable obligation of the Successor Agency. The two CalBoating loans included the Port as a co-borrower, and the Port has assumed the responsibility of paying back these loans using revenue generated from South Beach Harbor.

**Lease Termination.** Chapter 310 of the California Statutes of 1987 ("Chapter 310") specifies certain requirements relating to the use of the Leased Land. Chapter 310 authorized the Port to lease the property to the SFRA to complete the improvements described in the RP-SB Plan. Upon completion of those improvements, SFRA’s leasehold interest would terminate and “the San Francisco Port Commission, which administers the granted lands on behalf of the city and county, will either reassume the direct administration of the granted lands, or succeed to the sublessor status of the redevelopment agency with regard to certain subleases executed in furtherance of the project.” Chapter 310, § 1(c).

Under Chapter 310, the SFRA was required to offer to terminate the Port Leases “[n]ot later than the date of completion of the last of the improvements that are proposed by the Rincon Point – South Beach Redevelopment Project;” the Port Commission is required to accept the termination “unless to do so would not be in the best interests of the trust in furtherance of which the lands were granted to the city and county.” Chapter 310, § 3. In addition, Chapter 310 provides for the early termination of the Port Leases where the Port Commission obtains “the concurrence of the State Lands Commission that the termination is in the best interest of the trust in furtherance of which the lands were granted to the city and county.” Id.

The Port Leases also require termination upon completion of the development under the redevelopment program and they provide for early termination. (See Section 3 (a)(ii).)

Since the SFRA’s dissolution, staff of the Successor Agency has been in discussions with the Port about an early termination that would transfer the Leased Land back to the Port before 2050, since the Successor Agency’s development obligations in the RP-SB Project Area are substantially completed. The transfer has been complicated by the lease structure, ongoing debt
obligations at South Beach Harbor, and BCDC requirements. The Successor Agency expects these issues to be resolved by June 2014.

**LONG RANGE PROPERTY MANAGEMENT PLAN (“PMP”)**

The following presents the information requested pursuant to Section 34191.5 of the California Health and Safety Code for the Leased Land. These properties are also shown on Attachment A (Maps of Leased Land) and Attachment B (DOF Tracking Sheet for Other Properties).

**Date of Acquisition**

See Attachment B for lease start dates for the Leased Land. The 16 Port Leases were executed between 1984 and 2002.

**Value of Property at Time of Acquisition**

See Attachment B for acquisition values for the Leased Land. The 16 Port Leases were executed at rental rates between $24,000 and $130,000 a year.

**Estimate of the Current Value**

See Attachment B for current values for the Leased Land. The 16 Port Leases currently have rental rates between $50,000 and $272,000 a year.

**Purpose for which the Leasehold Interest was Acquired**

The SFRA leased this land from the Port in stages, mostly during the 1980s and 1990s, for the purposes of redeveloping the Port’s waterfront property in accordance with the RP-SB Plan. At that time, the Leased Land was a swath of under-utilized waterfront property with an undesirable street pattern. The redevelopment effort included constructing a new small boat harbor and harbor services building, building new waterfront parks and open spaces, including Rincon Park, installing a new children’s play area, rehabilitating commercial spaces, constructing two new affordable housing projects, and reconfiguring the network of streets and parking lots.

**Address/Location**

See Attachment B for addresses and/or locations for the Leased Land. All of the Leased Land is located within a 1,000-foot band along San Francisco Bay, south of the Ferry Building and adjacent to both the City’s financial district and the waterfront between Third Street and Mission Street. Maps of the Leased Land are attached as Attachment A.

**Lot Size**

See Attachment B for estimated lot sizes for the Leased Land. Maps of the Leased Land are attached as Attachment A.
Current Zoning

The Leased Land remains under the land use controls contained in the RP-SB Plan, which does not expire until January 2021. Under the RP-SB Plan, the Leased Land is zoned as follows:

- **Small Boat Harbor.** Port Leases N1-A, N1-B, N1-C, and N-2 fall under this zoning designation. These parcels were improved with a 700-berth small boat harbor called South Beach Harbor, a harbor services building, and ancillary improvements.

- **Residential.** Port Lease K falls under this zoning designation. It was developed with a 108-unit traditional affordable housing project called Steamboat Point Apartments.

- **Residential with Neighborhood Commercial.** Port Lease J falls under this zoning designation. It was developed with an innovative special-needs housing project called Delancey Street, which houses 500 formerly unemployable drug addicts, homeless people, and ex-felons, and includes training facilities to train this population for employment. It also includes significant commercial space on the ground floor fronting The Embarcadero.

- **Major Park.** The remaining Port Leases fall under this zoning designation. They were improved with a major waterfront park and promenade, a children’s play area, and Rincon Park. One of the remaining Port Leases (K-1) is a reconfigured Townsend Street.

**Estimate of the Current Value (Including Appraisal Information)**

See Attachment B for current values for the Leased Land. The 16 Port Leases currently have rental rates between $50,000 and $272,000 a year. No appraisal information is available.

**Estimate of Revenues Generated (Including Contractual Requirements for Use of Funds)**

Only six of the 16 Port Leases include rent payments to the Port. Of those six Port Leases, three (Port Leases N-1A, N-1B, and N-2) are associated with South Beach Harbor. South Beach Harbor pays the Port about $520,000 a year under these three leases, but only generates about $250,000 from the associated subleases. The difference (approximately $270,000) is paid to the Port using harbor berth revenues and operating reserve.

The other three Port Leases (Site J, Site K, and Port Lease M-3, M-4A, S-1D) require payments to the Port totaling about $410,000 a year. The subleases associated with these three leases generate about $680,000 a year. The difference (approximately $270,000) is being used to fund the maintenance of Rincon Park, with any surplus likely to be used to replenish South Beach Harbor’s operating reserve.

**History of Environmental Contamination, Studies, Remediation Efforts**

The Leased Land is part of the City’s northeastern waterfront. It has been a focus of growth since the Gold Rush, when port activities began in the area. In the late 1800s, large sections of
the San Francisco Bay were filled in, and a seawall was built, creating the topography that exists in the area today. Traditional port activities continued in the area for decades, until San Francisco’s port was not able to compete with newer shipping technologies that were being implemented at competing ports. As a result, the Port’s land and buildings fell into disrepair. Before redevelopment, much of the area was characterized by dilapidated warehouses, open cargo storage yards, abandoned or underutilized buildings, several piers in unsound condition and an extensive network of underutilized street rights-of-way. Environmental contamination on the Leased Land reflected these historic uses and the quality of the fill material.

An environmental impact report for the RP-SB Project Area was completed in 1980, and a supplemental environmental impact report was completed in 1991, to assess the environmental impacts of implementing the redevelopment program contained in the RP-SB Plan. Further environmental analysis and remediation (if required) occurred on a site-by-site basis, as sites were redeveloped over the last 30-40 years.

**Potential for Transit-Oriented Development; Advancement of Planning Objectives**

The Leased Land is located along The Embarcadero, which has become a major thoroughfare since the demolition of the Embarcadero Freeway after the 1989 Loma Prieta earthquake. The Embarcadero is a major thoroughfare for cars, buses, and the City’s light-rail system. The Leased Land is also within walking distance of the Ferry Building, where a regional network of ferry boats is located, and Market Street, where a regional heavy-rail system takes riders to other parts of the City and numerous locations in the East Bay.

The purpose of the Port Leases was to allow the SFRA to develop the Port’s property in accordance with the RP-SB Plan. Under the Port Leases, the SFRA constructed a new small boat harbor and harbor services building (“South Beach Harbor”), built new waterfront parks and open spaces, including Rincon Park, installed a new children’s play area, rehabilitated commercial spaces, constructed two new affordable housing projects, and reconfigured the network of streets and parking lots.

**History of Previous Development and Leasing Proposals**

In the 1970s, two private proposals were set forward for developing a total of about 3.0 million square feet of office space, 650,000 square feet of commercial uses, 2,200 hotel room, parking, and a new ship terminal on 20 acres of new fill near the Ferry Building. Adverse reaction to these proposals prompted BCDC to create a special plan for the area to control filling of the bay and to improve public access, views and the appearance of the waterfront shoreline. Also, the City developed the “Plan for the Northeastern Waterfront” in 1977 that established objectives and policies for land use, transportation and urban design for the area. In the same year, the City’s Board of Supervisors authorized a planning effort to investigate various ways to improve the area. This planning effort brought together the City’s Department of City Planning, the SFRA, the Port, and a citizen’s advisory committee. The Rincon Point-South Beach Redevelopment Plan, approved by the City’s Board of Supervisors in January 1981, synthesized the results of this extensive planning effort. To implement the development program outlined in
the RP-SB Plan, the Port entered into the Port Leases with the SFRA, to allow the SFRA to develop the Port’s property in accordance with the RP-SB Plan.

**Disposition of the Agency Property**

Both State legislation (i.e., Chapter 310) and the Port Leases contemplate that the SFRA’s leasehold interest in the Port’s land would terminate and jurisdiction over the land would return to the Port once the SFRA completed the improvements outlined in the RP-SB Plan.

Since the SFRA’s dissolution, staff of the Successor Agency has been in discussions with the Port about termination of leases that would transfer the Leased Land back to the Port before 2050. The transfer has been complicated by the lease structure, ongoing debt obligations at South Beach Harbor, and BCDC requirements. The Successor Agency expects these issues to be resolved by June 2014.

**Disposition Plan.** Terminate the Port Leases (and other ancillary agreements) and transfer the Leased Land back to the Port, pursuant to the early termination provisions set forth in the Port Leases. At the same time the Port Leases are terminated, all Subleases with the Successor Agency will convert to direct leases with the Port. The estimated transfer date is June 2014.

**Properties Dedicated to Governmental Use Purposes and Properties Retained for Purposes of Fulfilling an Enforceable Obligation**

N/A

Attachment A: Maps of Leased Land
Attachment B: DOF Tracking Sheet – Other Properties
Attachment A
Maps of Leased Land
Attachment A-2
Map of Leased Land (Port Leases – Rincon Point)

NOTE:
Attachment B
DOF Tracking Sheet – Other Properties

(See Tab L)